

world—perhaps in Canada—who could save the Grand Trunk from the position by enlarging their own system.

Mr. DENIS: Mr. Chairman, I have tried to find out what was the debt of the Grand Trunk to the Dominion of Canada, and although the exact figures have not been given I do not desire to reproach any one in the matter. For the sake of the argument which I now intend to advance, let us suppose that if the Grand Trunk Railway were ready to pay what it owes directly or indirectly to the Dominion of Canada we might give them their receipt in full for, say, fifty million dollars. I think the minister said awhile ago that it was over \$30,000,000. On the other hand, there are responsibilities or guarantees of over \$97,000,000. We have to take some figure, so let us say \$50,000,000 for the sake of argument. Consequently, I consider from this point of view that the Grand Trunk Railway Company now owes the country \$50,000,000. Before the Grand Trunk Railway Company can pay any dividends on its guaranteed, common or preferred stocks, it has to meet its obligations towards the Dominion of Canada. More particularly the Grand Trunk Railway Company cannot pay any interest on what is called the four per cent guaranteed stock, amounting to £12,500,000 until it meets its obligations towards the Dominion of Canada. Consequently, this \$50,000,000 debt that we hold, as against the Grand Trunk Railway Company, until this agreement is put through, is a preference over this block of stock amounting to £12,500,000. After the deal has been put through and the Government has passed the agreement that is now under discussion, this amount of £12,500,000 will have preference over the debt of \$50,000,000 which is now due by the Grand Trunk to the Dominion of Canada. I am going to explain. We will still have the same debt; the debt will have the same rank in so far as privilege is concerned. But this sum of £12,500,000 will have been guaranteed by the Dominion. Consequently, being guaranteed by the Dominion, it will become a first-class security. It will become equal to if not better than any of the debenture stock of the Grand Trunk; it will be guaranteed by the Dominion of Canada.

Mr. MEIGHEN: So is the debenture stock.

Mr. DENIS: Yes, I was mistaken about that. It will have the same rank as the

guaranteed debenture stock, because the debenture stock is going to be guaranteed; otherwise it would have preference over the debenture stock. But I am laying aside the debenture stock for the moment because I am speaking now only of the £12,500,000 of guaranteed stock. Before we put the deal through we have a preference for our debt of \$50,000,000 over this amount of £12,500,000. After the deal has been put through this amount of £12,500,000 will be guaranteed by the Dominion of Canada and consequently we will have to assume a debt or responsibility amounting to \$60,000,000 which otherwise, perhaps, would never have to be paid by any one. It would otherwise never be met by the Grand Trunk, because they could not meet it. It will take the Grand Trunk Railway Company many years to meet its regular obligations, to pay this \$50,000,000 and to pay dividends on this guaranteed stock. Yet now we are taking this guaranteed

9 p.m. stock—which is of little value, because there is little expectation of getting any dividend on it until the debt of the Grand Trunk has been paid—and we are making it a gold bond; we are giving it par value. That, in my judgment, is a great obstacle to the transaction. It appears clear in my mind that we are giving to the Grand Trunk in this transaction an advantage which we should not give.

It is an honest opinion to want to buy the Grand Trunk. Of course there is room for discussion as to whether we ought to buy it or not, but for those who want to buy it, it is all right to say that they want to buy the road for what it is worth. But you cannot buy the road for what it is worth and in the meantime guarantee bonds and debentures which, without the guarantee of the Dominion of Canada, would be worth only fifty per cent of their face value. You are taking this property and enhancing its value. The moment you take a property and enhance its value, the additional value which you give to that property has to be paid by somebody. In this particular instance it will be paid by the Dominion of Canada. The Company have bonds that were worth fifty cents on the dollar, and if they are worth fifty centy cents on the dollar it is because they cannot produce any more than fifty cents on the dollar. It is because their fundamental, basic value is fifty cents on the dollar. If you take that property and make it worth one hundred cents on the dollar, then you have to add something else to it, you cannot pro-